

Town of Addis, Louisiana

Annual Financial Report

**As of and For the Year ended
December 31, 2012**

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the Town Council
Addis, Louisiana

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of the Town of Addis, Louisiana, ("the Town") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of the Town of Addis, Louisiana as of December 31, 2012, and the respective changes in financial position thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2012, the Town adopted new accounting guidance, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. My opinion is not modified with respect to this matter.

Other Matters

Prior Year Summarized Comparative Totals

The prior year summarized comparative information has been derived from the Town's 2011 financial statements and, in my report dated July 9, 2012, I expressed an unqualified opinion on the respective financial statements of the governmental activities, business-type activities and each major fund.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis budgetary comparison information on pages 3 through 9, and pages 33 and 34, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued a report dated July 9, 2013, on my consideration of the Town's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

W. Kathleen Beard, CPA

July 9, 2013

REQUIRED SUPPLEMENTARY INFORMATION
Management's Discussion and Analysis

Town of Addis, Louisiana

Management's Discussion and Analysis (Unaudited)

December 31, 2012

We offer the readers of the financial statements of the Town of Addis, Louisiana, this narrative overview and analysis of the financial activities of the Town of Addis (hereafter referred to as the "Town") for the fiscal year ended December 31, 2012.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2012 fiscal year include the following:

- The Town's assets exceeded its liabilities at the close of the fiscal year by \$9,546,898 (net position). Of this amount, \$1,459,298 (unrestricted net position) may be used to meet the government's obligations to citizens and creditors.
- The Town's total net position decreased by \$36,215 for the year ended December 31, 2012. Net position of governmental activities increased by \$99,612, and net position of business-type activities decreased by \$135,827.
- As of the close of the current fiscal year, the Town's governmental fund reported an ending fund balance of \$1,318,259, an increase of \$191,561 in comparison with the prior fiscal year. This entire amount was unreserved, undesignated, and available for spending.
- At the end of the current fiscal year, unreserved, undesignated fund balance for the General Fund was \$1,318,259 or 62.6% of total General Fund expenditures.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business, and are reported in two government-wide financial statements:

The **Statement of Net Position** presents information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **Statement of Activities** presents information showing how the Town's net position changed during the most recent fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

The Town's government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The Town's governmental activities include general government, public safety, streets and roads. The business-type activities of the Town include sanitary sewer facilities.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. The Town's funds are classified into two categories: governmental funds and proprietary funds.

Governmental Funds: These funds are reported in the fund financial statements and encompass the same functions reported as governmental activities in the government-wide financial statements. The focus is very different with fund statements providing a distinctive view of the Town's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, a comparison should be made between the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This will present a better understanding of the long-term impact of the government's near-term financing decisions.

The Town maintains a General governmental fund which covers the operations of the Town, including police protection services for citizens, maintenance of streets and roads, and the general administrative office.

The Town adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

Proprietary funds: The Town maintains one type of proprietary fund—*Enterprise*. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town uses an enterprise fund to account for its sanitary sewer facilities activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. The notes included in this report provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceed liabilities by \$9,546,898 at December 31, 2012.

A large portion of the Town's net position (84 percent) reflects its investment in capital assets (e.g., land, buildings, furniture and fixtures, machinery, vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The Town used these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities.

A condensed version of the Town's Net Position is presented as follows:

	Government Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 1,402,652	\$ 1,204,628	\$ 148,589	\$ 208,300	\$ 1,551,241	\$ 1,412,928
Capital assets	3,335,203	3,428,576	6,149,883	6,259,681	9,485,086	9,688,257
Total assets	4,737,855	4,633,204	6,298,472	6,467,981	11,036,327	11,101,185
Current and other liabilities	63,231	58,192	74,198	216,571	137,429	274,765
Long-term liabilities	-	-	1,352,000	1,243,309	1,352,000	1,243,309
Total liabilities	63,231	58,192	1,426,198	1,459,880	1,489,429	1,518,072
Net position:						
Invested in capital assets, net of related debt	3,335,203	3,428,576	4,724,884	4,804,306	8,060,087	8,232,882
Restricted for debt service	-	-	27,514	74,295	27,514	74,295
Unrestricted	1,339,422	1,146,436	119,877	129,500	1,459,298	1,275,936
Total net position	\$ 4,674,624	\$ 4,575,012	\$ 4,872,274	\$ 5,008,101	\$ 9,546,898	\$ 9,583,113

The balance of unrestricted net position, \$1,459,298, may be used to meet the government's ongoing obligations to citizens and creditors.

At December 31, 2012, the Town is able to report positive fund balances in all categories of net position for governmental activities and business activities.

The Town's net position decreased by \$36,215 during the current fiscal year.

A condensed version of the Town of Addis's Statement of Activities is presented as follows:

	Government Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 112,922	\$ 95,170	\$ 418,786	\$ 438,007	\$ 531,708	\$ 533,177
Grants and contributions	1,800	52,452	-	-	1,800	52,452
Capital grants and contributions	-	25,000	-	-	-	25,000
General revenues:						
Sales taxes	1,819,025	1,686,261	-	-	1,819,025	1,686,261
Other taxes	183,394	208,263	-	-	183,394	208,263
Licenses and permits	133,232	151,373	-	-	133,232	151,373
Other general revenues	47,721	27,310	-	-	47,721	27,310
Total revenues	2,298,094	2,245,829	418,786	438,007	2,716,880	2,683,836
Expenses						
General government	741,563	730,701	-	-	741,563	730,701
Public safety	1,005,298	909,993	-	-	1,005,298	909,993
Roads and drainage	451,621	349,370	-	-	451,621	349,370
Water, sewage and gas	-	-	554,612	478,275	554,612	478,275
Total expenses	2,198,482	1,990,064	554,612	478,275	2,753,094	2,468,339
Change in net position	99,612	255,765	(135,827)	(40,268)	(36,215)	215,497
Net position, beginning of year	4,575,012	4,319,247	5,008,101	5,048,369	9,583,113	9,367,616
Net position, end of year	\$ 4,674,624	\$ 4,575,012	\$ 4,872,274	\$ 5,008,101	\$ 9,546,898	\$ 9,583,113

GOVERNMENTAL FUND FINANCIAL ANALYSIS

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As a measure of the Town's liquidity, it may be useful to compare fund balance to total expenditures. Fund balance represents 63% of total fund expenditures.

During the current year, the fund balance of the Town increased by \$191,561.

Proprietary Funds. The Town's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. As noted above, the Town maintains one enterprise fund for its sanitary sewer facilities activities. For the fiscal year ended December 31, 2012, this fund reported net assets of \$4,872,274, which is a net decrease from the prior year of \$135,827.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Town received \$265,893 more than its budgeted revenues. Total expenditures were less than the final amended budget by \$117,819, resulting in a \$383,711 favorable variance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental and business type activities as of December 31, 2012 amounts to \$9,485,086 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, machinery and equipment, and wastewater treatment plant.

Major capital asset events during the current fiscal year included the following:

- \$94,332 was spent on the historical park
- \$86,250 was spent on the waste water facility upgrade

Town of Addis's Capital Asset

	Government Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 208,338	\$ 208,338	\$ 16,755	\$ 16,755	\$ 225,093	\$ 225,093
Land rights	-	-	42,921	30,198	42,921	30,198
Construction in progress	12,271	-	-	-	12,271	-
Land improvements	1,872,606	1,857,323	-	-	1,872,606	1,857,323
Buildings and structures	844,006	844,006	82,419	82,419	926,425	926,425
Museum	196,669	196,669	-	-	196,669	196,669
Historic railroad park	771,457	677,124	-	-	771,457	677,124
Water System	1	1	-	-	1	1
Sewer facility	-	-	8,270,112	8,183,862	8,270,112	8,183,862
Furniture and fixtures	33,182	33,182	-	-	33,182	33,182
 Vehicles						
Town	25,254	25,254	40,819	40,819	66,073	66,073
Fire Department	229,175	229,175	-	-	229,175	229,175
Police	355,231	355,231	-	-	355,231	355,231
 Machinery and equipment						
Town	406,352	402,301	276,069	276,069	682,421	678,370
Police	122,271	95,447	-	-	122,271	95,447
Website	9,870	9,870	-	-	9,870	9,870
Works of art	9,343	9,343	-	-	9,343	9,343
 Subtotal	5,096,025	4,943,264	8,729,094	8,630,122	13,825,119	13,573,386
 Less: Accumulated depreciation	(1,760,822)	(1,514,688)	(2,579,211)	(2,370,441)	(4,340,033)	(3,885,129)
 Total Capital Assets, net of A/D	\$ 3,335,203	\$ 3,428,576	\$ 6,149,883	\$ 6,259,681	\$ 9,485,086	\$ 9,688,257

Long-term Debt:

The Department of Environmental Quality (DEQ) project to upgrade the wastewater treatment plant began in 2010 and is financed by issuance of \$1,569,060 Sewer Revenue Bonds Series 2010. The bonds were purchased by the Clean Water State Revolving Fund (CFDA 66.458) administered by the Louisiana Department of Environmental Quality. As of December 31, 2012, the Town has received installments of loan proceeds in the amount of \$1,569,060. All projects were completed during 2012.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Due to the slow recovery of the overall economy of the country, the budget for 2013 for the Town of Addis projects a very small increase in overall income for the year.

The main items considered in the 2013 budget were an increase in health care in all departments, a slight increase in police retirement, and some increase in insurance coverage for the Town. Money was added to the Enterprise Fund budget to cover the "cleanout" of sewer lines in Addis Place in the event the LCDBG grant applied for was not funded.

The budget shows a decrease in expenditures for the Museum Park as the only item left for completion in 2013 is landscaping.

The budgets were balanced with no money expected to be transferred from fund balances for expenses during the year.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Any questions about this report or requests for additional information may be directed to Vera Lucas, Town Clerk, at (225) 687-4844.

BASIC FINANCIAL STATEMENTS

Town of Addis, Louisiana
Statement of Net Position
December 31, 2012 with summarized comparative totals for 2011

	Primary Government			2011
	Governmental	Business-type	Total	Totals
	Activities	Activities		
ASSETS:				
Cash and cash equivalents	\$ 624,864	\$ 42,771	\$ 667,635	\$ 523,954
Cash and cash equivalents, restricted	-	100,514	100,514	74,295
Investments	470,303	-	470,303	464,732
Accounts receivable (net)	211,073	17,268	228,341	233,721
Accrued interest receivable	1,004	-	1,004	122
Internal balances	74,246	(74,246)	-	-
Prepays	21,163	8,741	29,904	37,992
Inventory	-	53,541	53,541	78,112
Capital assets:				
Non-depreciable	220,609	59,676	280,285	255,291
Depreciable, net	3,114,594	6,090,207	9,204,801	9,432,966
Total assets	4,737,855	6,298,472	11,036,327	11,101,185
LIABILITIES:				
Accounts payable	42,272	1,285	43,557	41,544
Contracts and retainages payable	-	-	-	129,534
Accrued liabilities	14,917	(87)	14,830	15,788
Due to other governments	1,126	-	1,126	850
Deferred revenue	4,915	-	4,915	5,045
Long-term liabilities -				
Due within one year	-	73,000	73,000	82,000
Due in more than one year	-	1,352,000	1,352,000	1,243,309
Total liabilities	63,231	1,426,198	1,489,429	1,518,072
NET POSITION:				
Net investment in capital assets	3,335,203	4,724,884	8,060,087	8,232,882
Restricted for debt service	-	27,514	27,514	74,295
Unrestricted	1,339,422	119,877	1,459,298	1,275,936
Total net position	\$ 4,674,624	\$ 4,872,274	\$ 9,546,898	\$ 9,583,113

The accompanying notes to the financial statements are an integral part of this statement

Town of Addis
Statement of Activities
For the Year Ended December 31, 2012 with summarized comparative totals for 2011

Functions/Programs	Program Revenues				Net (Expense)Revenue and Changes in Net Position		
	Expenses	Charges for		Capital Grants and Contributions	Primary Government		
		Services	Grants and Contributions		Governmental Activities	Business-type Activities	2011 Totals
Primary government:							
Governmental activities -							
General administration	\$ 741,563	\$ 3,990	\$ -	\$ -	\$ (737,573)	\$ -	\$ (728,352)
Public safety	1,005,298	102,072	1,800	-	(901,426)	-	(771,579)
Public services	451,621	6,860	-	-	(444,761)	-	(317,510)
Interest on long-term debt	-	-	-	-	-	-	-
Total governmental activities	2,198,482	112,922	1,800	-	(2,083,760)	-	(1,817,441)
Business-type activities -							
Sewer user charges	554,612	418,786	-	-	-	(135,827)	(40,268)
Total business-type activities	554,612	418,786	-	-	-	(135,827)	(40,268)
General revenues							
General purpose sales and use tax					1,819,025	-	1,686,261
Franchise taxes					183,394	-	208,263
Occupational license & permits					133,232	-	151,373
Other taxes					38,026	-	11,485
Grants revenue and contributions not restricted to specific programs					-	-	-
Investment income					5,810	-	13,554
Other income					3,884	-	1,461
Special Items - Gain/(Loss) on sale of fixed assets					-	-	810
Transfers out					-	-	-
Total general revenues, special items and transfers					2,183,372	-	2,073,207
Change in net position					99,612	(135,827)	215,497
Net position, January 1,					4,575,012	5,008,101	9,583,113
Net position, December 31,					\$ 4,674,624	\$ 4,872,274	\$ 9,583,113

The accompanying notes to the financial statements are an integral part of this statement

Town of Addis, Louisiana
Balance Sheet
Governmental Funds - General Fund
December 31, 2012 with summarized comparative totals for 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and cash equivalents -		
Cash on hand and in banks	\$ 624,864	\$ 437,382
Investments	470,303	464,732
Receivables -		
Franchise tax	79,934	78,181
Other	1,571	261
Accrued interest	1,004	122
Due from other governments -		
Sales tax	127,698	118,710
Grants	-	-
Other	1,869	1,254
Due from other funds	74,246	74,246
 Total Assets	 \$ 1,381,490	 \$ 1,174,887
LIABILITIES AND FUND BALANCES		
Accounts payable	\$ 42,272	\$ 26,510
Accrued liabilities	14,917	15,785
Due to other governments	1,126	850
Deferred revenue	4,915	5,045
 Total Liabilities	 63,231	 48,190
 Fund Balances -		
Unassigned	1,318,259	1,126,697
 Total Fund Balances	 1,318,259	 1,126,697
 Total Liabilities and Fund Balances	 \$ 1,381,490	 \$ 1,174,887

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
December 31, 2012 with summarized comparative totals for 2011

	<u>2012</u>	<u>2011</u>
Fund Balances - total governmental funds	\$ 1,318,259	\$ 1,126,697
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources therefore are not reported in governmental funds		
Governmental capital assets	5,096,025	4,943,264
Less: accumulated depreciation	(1,760,822)	(1,514,688)
	<u>3,335,203</u>	<u>3,428,576</u>
Prepaid insurance premiums in governmental activities are not recognized as expenditures for governmental funds	21,163	29,740
Long-term liabilities are not due and payable in the current year and therefore not reported in the governmental funds		(10,000)
Net Position of Governmental Activities	<u>\$ 4,674,624</u>	<u>\$ 4,575,012</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds - General Fund
For the year ended December 31, 2012 with summarized comparative totals for 2011

	2012	2011
REVENUES:		
Taxes and licenses	\$ 133,232	\$ 151,373
Franchise fees	183,394	208,263
Intergovernmental revenue	1,858,851	1,775,198
Charges for services	10,850	9,708
Fines and forfeitures	102,072	85,962
Investment income	5,810	13,554
Sale of fixed assets	-	810
Miscellaneous	3,884	961
Total revenues	<u>2,298,093</u>	<u>2,245,828</u>
EXPENDITURES:		
Current -		
General administration	670,656	589,859
Public safety	930,872	858,336
Public works	322,068	303,620
Dainage	20,174	19,470
Capital outlay	152,761	377,939
Debt service	10,000	10,000
Total expenditures	<u>2,106,532</u>	<u>2,159,225</u>
Excess Revenues Over (Under) Expenditures	191,561	86,604
OTHER FINANCING SOURCES (USES):		
Transfers (Out)/Capital Contributions	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>
Net Change in Fund Balances	191,561	86,604
FUND BALANCE:		
Beginning of Year	<u>1,126,697</u>	<u>1,040,093</u>
End of Year	<u>\$ 1,318,259</u>	<u>\$ 1,126,697</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances to the Statement of Activities
Governmental Funds
December 31, 2012 with summarized comparative totals for 2011

	<u>2012</u>	<u>2011</u>
Net Change in Fund Balances - total governmental funds	\$ 191,561	\$ 86,604
Amounts reported for governmental activities in Statement of Net Position are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:		
Expenditures for capital assets	152,761	377,939
Less current year depreciation	(246,134)	(230,843)
	<u>(93,373)</u>	<u>147,096</u>
Expenditures in the Statement of Activities that do not use current financial resources are not reported as expenditures in the funds		
Current	21,163	29,740
Prior	(29,740)	(17,674)
Payment of lease obligations and other debt payments is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		
	10,000	10,000
Change in Net Position of Governmental Activities	<u>\$ 99,612</u>	<u>\$ 255,765</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Statement of Net Position
Proprietary Funds
December 31, 2012 with summarized comparative totals for 2011

		- Business-type Activities -	
		Enterprise Fund - Sewer System	
		2012	2011
ASSETS			
Current assets -			
Cash and cash equivalents	\$	42,771	\$ 86,572
Accounts receivable		17,268	35,315
Prepaid expenses		8,741	8,252
Inventory - tanks		53,541	78,112
Total Current Assets		122,321	208,251
Noncurrent assets -			
Restricted cash and cash equivalents		100,514	74,295
Capital assets -			
Non-depreciable		59,676	46,953
Depreciable (net of accumulated depreciation of \$2,579,211 for 2012 and \$2,370,441 for 2011)		6,090,207	6,212,728
Total Capital Assets (net)		6,149,884	6,259,681
Total Noncurrent Assets		6,250,398	6,333,976
Total Assets	\$	6,372,719	\$ 6,542,227
LIABILITIES			
Current liabilities -			
Accounts payable	\$	1,285	\$ 15,034
Contracts and retainage payable		-	129,534
Accrued liabilities		(87)	3
Due to other funds		74,246	74,246
Sewer revenue bonds payable		73,000	72,000
Total Current Liabilities		148,445	290,817
Long-term liabilities			
Sewer revenue bonds payable		1,352,000	1,243,309
Total Liabilities		1,500,445	1,534,126
NET POSITION			
Net investment in capital assets		4,724,884	4,804,306
Restricted for debt service		27,514	74,295
Unrestricted		119,877	129,500
Total Net Position	\$	4,872,274	\$ 5,008,101

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended December 31, 2012 with summarized comparative totals for 2011

	- Business-type Activities -	
	Enterprise Fund - Sewer System	
	2012	2011
OPERATING REVENUES		
Charges for services	\$ 386,801	\$ 420,932
Installations	17,035	-
Impact fees	14,000	16,800
Miscellaneous income	950	275
Total Operating Revenue	418,786	438,007
OPERATING EXPENSES		
Salaries and fringe benefits	194,158	175,775
Utilities	42,615	42,380
Operating expenses	91,048	64,919
Contract services	4,280	7,053
Depreciation	208,770	180,981
Administrative fees	7,233	3,773
Interest expense	6,509	3,396
Total Operating Expense	554,612	478,276
Operating Income (Loss)	(135,827)	(40,268)
CAPITAL CONTRIBUTIONS		
General Fund	-	-
Change in net position	(135,827)	(40,268)
Net position, beginning of year	5,008,101	5,048,369
Net position, end of year	\$ 4,872,274	\$ 5,008,101

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis
Statement of Cash Flows
Proprietary Fund
For the year ended December 31, 2012 with summarized comparative totals for 2011

	- Business-type Activities - Enterprise Fund - Sewer System	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 436,833	\$ 436,386
Cash payments for goods and services	(222,537)	(181,505)
Cash payments for salaries	(113,062)	(103,782)
Net Cash Provided by (Used for) Operating Activities	<u>101,234</u>	<u>151,099</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from sewer revenue bonds	181,691	1,242,868
Acquisition and construction of capital assets	(228,507)	(1,373,555)
Principal payments on sewer revenue bonds	(72,000)	(72,060)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(118,816)</u>	<u>(202,747)</u>
INCREASE (DECREASE) IN CASH	(17,582)	(51,648)
CASH AND CASH EQUIVALENTS, BEGINNING	160,867	212,515
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 143,285</u>	<u>\$ 160,867</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES		
Operating income (loss)	\$ (135,827)	\$ (40,269)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation	208,770	180,981
Net Changes in Assets and Liabilities -		
(Increase) decrease in accounts receivable - customers	18,047	(1,621)
(Increase) decrease in prepaid expenses	(489)	1,729
(Increase) decrease in inventory	24,571	1,411
Increase (decrease) in accounts payable	(13,749)	8,771
Increase (decrease) in accrued liabilities	(90)	97
Total adjustments	<u>237,061</u>	<u>191,368</u>
Net Cash provided by (used for) operating activities	<u>\$ 101,234</u>	<u>\$ 151,099</u>
Unrestricted Cash and cash equivalents	\$ 42,771	\$ 86,572
Restricted Cash and cash Equivalents	100,514	74,295
Total Cash and Cash equivalents	<u>\$ 143,285</u>	<u>\$ 160,867</u>

The accompanying notes to the financial statements are an integral part of this statement.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

Introduction

The Town of Addis was incorporated September 1915, under the provisions of Title 33, Chapter 2, Part 1, of the Louisiana Revised Statutes (Lawrason Act - Act No. 36 of 1898). The "Town" operates under a Mayor - Council form of government and provides the following services as authorized by its charter: public safety (police), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

The Town's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The accompanying basic financial statements have been prepared in conformity with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The more significant accounting policies established in GAAP and used by the Town are discussed below.

1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial reporting entity consists of (a) the primary government (Town of Addis) (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity, Omnibus* established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the basic criteria are as follows:

- Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy, sell and lease property in its own name.
- Whether the Town governing authority appoints a majority of board members of the potential component unit (or serves as board members of potential component unit as required by law) and whether operational responsibility for the potential component unit rests with the management of the primary government.
- Fiscal interdependency between the Town and potential component unit.
- Imposition of will by the Town on the potential component unit.
- Financial benefit/burden relationship between the Town and the potential component unit.

Based on the above criteria, the Town has no component units.

B. Basic Financial Statements - Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town's police, public works, and general administrative services are classified as governmental activities. The Town's sewer services are classified as business-type activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts: net investment in capital assets; restricted net position; and unrestricted net position.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

I. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements – Government–Wide Statements (Continued)

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions and business-type activities. The functions are also supported by general government revenues (sales and use tax, franchise tax, and certain governmental revenues, etc). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants

Program revenues must be directly associated with the function (public safety, public works and general administration) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants column reports capital-specific grants.

The net costs (by function or business-type activity) are normally covered by general revenue (sales and use tax, franchise tax intergovernmental revenue, interest income, etc.).

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The emphasis in fund financial statements is on the major funds for either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Town had no nonmajor funds.

Governmental Funds: The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of current financial resources) rather than upon net income. Expendable assets are assigned to funds according to the purpose for which they may be used. Current liabilities are assigned to funds from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources that may be used to finance future period operations of the Town. The Town reports these major governmental funds and fund types:

General Fund - The General Fund is the main operating fund of the Town. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Proprietary Fund Types: The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The Town reports the following proprietary fund types:

Enterprise Fund - Used to account for operations for which a fee is charged to external users for sewer services. The activities reported in this fund are reported as business-type activities in the government-wide financial statements.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

1. Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting

Basis of Accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It related to the timing of the measurements made regardless of the measurement focus applied.

Accrual: Both the governmental and business-type activities in the government-wide financial statements and the proprietary fund financial statements are presented on the accrual basis of accounting. Non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. Exceptions to this general rule include principal and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

E. Cash and cash equivalents

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

F. Investments

State law and the Town's investment policy allow the Town to invest in collateralized certificates of deposit, government backed securities, state sponsored investment pool, and mutual funds consisting solely of government backed securities. Investments are reported at their fair value.

G. Receivables

All receivables are reported net of estimated uncollectible amounts.

H. Inventories and Prepaid Items

All inventories are valued at cost. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and business-type fund financial statements.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets

Capital assets, which include property, plant equipment, and infrastructure assets (e.g. roads, bridges, sidewalk and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are capitalized at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received.

Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. The Town maintains a threshold level of \$2,000 or more for capitalizing capital assets. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current fiscal year no interest was incurred in the capitalized projects.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 Years
Building improvements	20 Years
Improvements other than buildings	20 Years
Sewer system	40 - 43 Years
Mowers, tractors and attachments	10 - 15 Years
Fire trucks	15 Years
Fire fighting equipment	10 Years
Light trucks & equipment	5 Years

J. Compensated Absences

Employees of the Town earn vacation or sick leave at varying rates based upon length of service. Vacation leave is non-cumulative, unused personal/sick leave may be carried into the ninety days of the subsequent year. Any unused personal/sick leave is immaterial, therefore, no accrual has been made.

K. Long-term Obligations

In the government-wide financial statements, and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

1. Summary of Significant Accounting Policies (Continued)

L. Fund Equity

Government-wide and proprietary fund net position are divided into three components:

- Net investment in capital assets - consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets, plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position - consist of assets that are restricted by the Town's creditors, by state enabling legislation, by grantors, and by other contributors, less related liabilities and deferred inflows of resources.
- Unrestricted - all other net position are reported in this category.

Fund Financial Statements

In the governmental fund financial statements, fund balances are classified as follows:

- Nonspendable - Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of the Town Code, state or federal laws, or externally imposed conditions by grantors or creditors
- Committed - Amounts that can be used only for specific purposes determined by a formal action by Town ordinance or resolution.
- Assigned - Amounts that are designated by the Mayor for a particular purpose but are not spendable until a budget ordinance is passed or there is a majority vote approval (for capital projects or debt service) by Town Board of Councilmen
- Unassigned - All amounts not included in other spendable classifications.

M. Use of Restricted Resources

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Town's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Town's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications-committed and then assigned fund balances before using unassigned fund balances.

N. Interfund Activity

Interfund activity is reported as either loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

1. Summary of Significant Accounting Policies (Continued)

O. Comparative Data

The financial statements include prior-year summarized comparative information in total. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Town's financial statements for the year ended December 31, 2011 from which the summarized information was derived.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Q. Defining Operating Revenues and Expenses

The Town's proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses of the Town's sewer fund consists of charges for services (including system development charges) and the costs of providing those services, including depreciation. All other revenues and expenses are reported as non-operating.

R. Recently Issued and Adopted Accounting Pronouncements

In December 2010, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement of net assets is renamed the statement of net position and includes four components, assets, deferred outflows of resources, liabilities and deferred inflows of resources. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011.

2. Stewardship, Compliance and Accountability

The Town follows these procedures in establishing the budgetary data reflected in these financial statements:

- A proposed budget is prepared and submitted by the Mayor to the Board of Councilmen prior to the beginning of each fiscal year. The proposed budget is published in the official journal and made available for public inspection. A public hearing is called to obtain taxpayer comments.
- The budget is adopted through passage of an ordinance prior to commencement of the fiscal year for which the budget is being adopted.
- Budgetary amendments involving the transfer of funds from one department, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require approval from the Board of Councilmen.
- Budgets for the General is adopted on a GAAP basis therefore these funds utilize the same basis of accounting for both budgetary purposes and actual results. The Budgetary Comparison Schedule presents a comparison of budgetary data and actual results of operations for which budgets are legally adopted.
- All budgetary appropriations lapse at the end of each fiscal year.
- The level of budgetary control is total appropriations.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

3. Cash and Cash Equivalents

At December 31, 2012, the Town had cash and cash equivalents (book balances) totaling \$768,149, detailed as follows:

Cash on hand	\$ 366
Demand deposits	144,464
Interest-bearing demand deposits	590,722
Savings	16,922
Money Market Accounts	15,675
	<u>\$ 768,149</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits, (or resulting bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 2012, the Town had \$855,717 in deposits (collected bank balances). These deposits were secured from risk by \$433,052 in federal deposit insurance and \$417,424 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Deposits in the amount of \$5,241 were insured by SPIC.

4. Investments

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by municipality or its agent in the municipality's name
2. Uninsured and unregistered, with securities held by the counter party's trust department or agent in the municipality's name.
3. Uninsured and unregistered, with securities held by the counter party, or by its trust department or agent but not in the municipality's name

Interest Rate Risk: The Town has no formal policy regarding interest rate risk.

At fiscal year-end, the Town's investment balances were as follows:

Type of Investment	Category			Carrying Amount			Total Carrying Amount
	1	2	3	Fair Value	Amortized Cost	Cost	
Certificates of Deposit	\$ 133,894	\$ -	\$ 133,894	\$ 133,894	\$ 133,894	\$ 133,894	\$ 133,894
Total	<u>\$ 133,894</u>	<u>\$ -</u>	<u>\$ 133,894</u>				

Investments not subject to Categorization

Government Securities

Federal Home Loan Bank Cons Bonds	61,166	50,921	50,921	61,166
Federal National Mtg Assn.	60,013	61,080	61,080	60,013
U. S. Treasury Notes	215,686	215,231	215,231	215,231
Total Investments	<u>\$ 470,759</u>	<u>\$ 461,126</u>	<u>\$ 461,126</u>	<u>\$ 470,303</u>

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

5. Receivables

The following is a summary of receivables for December 31, 2012:

Class of Receivable	Governmental		Business-Type	
	Activities		Activities	
	General	Proprietary		Total
	Fund	Fund		
Taxes				
Franchise	\$ 79,934	\$ -		\$ 79,934
Intergovernmental:				
Parish sales tax	127,698	-		127,698
State video poker tax	1,152	-		1,152
State beer tax	717	-		717
Accounts	1,571	17,268		18,839
	<u>\$ 211,073</u>	<u>\$ 17,268</u>		<u>\$ 228,340</u>

6. Inter-fund Transactions

Due To/From Other
Funds:

Receivable Fund	Payable Fund	Amount
General Fund	Enterprise Fund	<u>\$ 74,246</u>

The purpose of loans by General Fund to the Proprietary Fund-Sewer was for capital additions comprised of a maintenance building located at the sewer plant. No timeframe for repayment has been established.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

7. Capital Assets Summary

	Balance 12/31/2011	Increases	Decreases	Balance 12/31/2012
Governmental Activities				
Non-depreciable: Land	\$ 208,338	\$ -	\$ -	\$ 208,338
Construction in progress	-	12,271	-	12,271
Total Non-depreciable	208,338	12,271	-	220,609
Depreciable:				
Improvements other than buildings	1,857,323	15,283	-	1,872,606
Buildings	844,006	-	-	844,006
Historical Railroad Park	677,124	94,332	-	771,457
Museum	196,669	-	-	196,669
Water system	1	-	-	1
Furniture & fixtures	33,182	-	-	33,182
Vehicles - Town	25,254	-	-	25,254
Machinery & equipment	402,301	4,051	-	406,352
Website	9,870	-	-	9,870
Works of Art	9,343	-	-	9,343
Fire Department Vehicles	229,175	-	-	229,175
Police Department Equipment	95,447	26,824	-	122,271
Police Department Vehicles	355,231	-	-	355,231
Total Depreciable	4,734,926	140,490	-	4,875,416
Total Assets	4,943,264	152,761	-	5,096,025
<u>Less: Accumulated depreciation</u>				
Improvements other than buildings	267,060	92,804	-	359,864
Buildings	348,134	20,570	-	368,704
Historical Railroad Park	30,250	34,428	-	64,679
Museum	59,639	5,364	-	65,002
Water system	1	-	-	1
Furniture & fixtures	30,609	2,522	-	33,130
Vehicles - Town	17,555	2,800	-	20,354
Machinery & equipment	220,346	24,505	-	244,850
Website	9,870	-	-	9,870
Works of Art	9,343	-	-	9,343
Fire Department Vehicles	227,698	-	-	227,698
Police Department Equipment	73,392	7,304	-	80,696
Police Department Vehicles	220,791	55,838	-	276,629
Total Accumulated Depreciation	1,514,688	246,134	-	1,760,822
Net Book Value	3,220,238			3,114,594
Governmental Activities Capital Assets, net	<u>\$ 3,428,576</u>			<u>\$ 3,335,203</u>

Depreciation expense charged to functions of the primary government as follows:

General government	\$ 71,594
Public safety	65,664
Public services	108,876
Total Depreciation expense	<u>\$ 246,134</u>

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

7. Capital Assets Summary (Continued)

The following is a summary of the changes in property, plant and equipment of the Enterprise Fund – Sewer System for the year ending December 31, 2012:

	Balance 12/31/2011	Increases	Decreases	Balance 12/31/2012
Business-like activities:				
Non-depreciable				
Land	\$ 16,755	\$ -	\$ -	\$ 16,755
Land rights	30,198	12,723	-	42,921
Construction in progress	0	-	-	0
Total Non-Depreciable	46,954	12,723	-	59,676
Depreciable:				
Buildings	82,419	-	-	82,419
Sewer facility	8,183,862	86,250	-	8,270,112
Machinery & equipment	276,069	-	-	276,069
Vehicles	40,819	-	-	40,819
Total Depreciable	8,583,168	86,250	-	8,669,418
Total Assets	8,630,121	98,973	-	8,729,094
 <u>Less: Accumulated depreciation</u>				
Buildings	4,121	2,113	-	6,234
Sewer facility	2,103,053	195,297	-	2,298,350
Machinery & equipment	234,255	7,231	-	241,486
Vehicles	28,753	4,387	-	33,141
Total Accumulated Depreciation	2,370,441	209,029	-	2,579,211
Net Book Value	6,212,727			6,090,207
 Business-type Activities Capital Assets, net	<u>\$ 6,259,681</u>			<u>\$ 6,149,884</u>

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

8. Long-Term Liabilities

Long-term liability activity for the year ending December 31, 2012, is as follows:

Type of Debt	Balance at 12/31/2011	Additions	Deductions	Balance at 12/31/2012	Amounts Due In One Year
Governmental activities -					
Judgment payable	\$ 10,000	\$ -	\$ (10,000)	\$ -	\$ -
Total Governmental activities	\$ 10,000	\$ -	\$ (10,000)	\$ -	\$ -
Business-like activities -					
Sewer revenue bonds	\$ 1,315,309	\$ 181,691	\$ (72,000)	\$ 1,425,000	\$ 73,000
Total Business-like activities	\$ 1,315,309	\$ 181,691	\$ (72,000)	\$ 1,425,000	\$ 73,000

The Town issued a note to pay the balance due on the settlement of a lawsuit. The Town paid \$100,000 during 2002 and agreed to pay ten yearly installments of \$10,000 per year commencing on September 1, 2003, with interest paid at the rate of 0%. In the event that any installment is not promptly paid when due, all remaining installments will become immediately due with an additional 25% of both principal and interest due as attorney's fees. The note was fully paid in 2012.

On November 10, 2010, the Town issued Sewer Revenue Bonds, Series 2010 in the amount of \$1,569,060 for the purpose of paying the costs of constructing and acquiring improvements and extensions to the Town's sewer system. The bonds were purchased by the Louisiana Department of Environmental Quality financed by the Clean Water State Revolving Fund. Purchase price of the bonds are distributed to the Town in installments as construction progresses, as of December 31, 2012 the Town had received \$1,569,060. The Wastewater Treatment Facility phase of the project was completed during 2011, the Pump Station and Force Main phase was completed in 2012.

The annual maturities for the bonds for the years subsequent to December 31, 2012 are as follows:

Year Ending December 31,	Principal	Interest	Admin Fee.	Total
2013	\$ 73,000	\$ 6,413	\$ 7,125	\$ 86,538
2014	74,000	6,084	6,760	86,844
2015	74,000	5,751	6,390	86,141
2016	75,000	5,418	6,020	86,438
2017	76,000	5,081	5,645	86,726
2018-2030	1,053,000	33,827	37,585	1,124,412
	\$ 1,425,000	\$ 62,573	\$ 69,525	\$ 1,557,098

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

9. Restricted Assets/Net Assets

The bond ordinance for the Sewer Revenue Bonds, Series 2010 requires the creation of the following accounts:

- Sewer Revenue Bond and Interest Sinking Fund which must be funded by making monthly deposits equal to the principal and administrative fee for such month to be used for the payment of bonds, interest and administrative fee when they become due.
- Sewer Revenue Bond Reserve Fund to be retained solely for the purpose of paying principal of and interest on bonds payable to which there would otherwise be default by depositing each month a sum equal to at least 25% of the amount deposited in the Sewer Revenue Bond and Interest Sinking Fund until a balance of \$86,387 is achieved.
- Sewer Depreciation Additions and Contingency Fund to care for extensions, additions, improvements, renewals and replacements necessary to properly operate the System by depositing an amount equal to 5% of the net revenues for the preceding month provided the sum is available after meeting the first two requirements, until a balance of \$150,000 is achieved.

10. Pension Plan

Plan Description Police employees of the Town of Addis are members of the state retirement system for municipal police employees, a cost sharing multiple-employer public employee retirement system. Benefit provisions are authorized within Act 189 of 1973 and amended by LRS 11:2211-11:2233. Any member is eligible for normal retirement after he has been a member of the System for 1 year, if he has 25 years of creditable service at any age or has 20 years of creditable service and is age 50 or has 12 years creditable service and is age 55. Benefits rates are 3 1/3% of average final compensation per number of years of creditable service no to exceed 100% of final salary. The plan also provides for disability benefits calculated a 3% of average final compensation multiplied by years of creditable service, but not less than forty percent nor more than sixty percent of average final compensation. The Municipal Police Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. The report may be obtained by calling 1-225-929-7411.

Funding Policy The payroll for employees covered by the System for the year ended December 31, 2012 was \$352,063. the Town's total payroll was \$916,924. Covered employees are required by State statute to contribute 10% of their salary to the plan. The Town is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirements for the year ended December 31, 2012, 2011 and 2010 was \$153,363, \$115,699, and \$102,139, respectfully. The 2012 contribution of \$153,363, consisted of \$117,482 from the Town and \$40,881 from employees; the Town contribution represents 26.5% (through 6/30) and 31% (7/1 through 12/31) and employee contribution of 10% of covered payroll.

11. Deferred Compensation Plan

The Town offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all permanent Town employees, permits them to defer until future years up to 100% of annual compensation not to exceed, \$17,500 in 2011 adjusted thereafter for cost of living adjustments in \$500 annual increments up to age 50; participants age 50 and over are eligible for catch-up contributions provided the catch-up contributions do not exceed the catch-up limit for the taxable year, up to a maximum of \$22,000. The Town contributes on behalf of its employees based upon employee contributions with a maximum match of 13.9%. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. In accordance with GASB No. 32, the Town is no longer required to report the plan in its financial statements.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

12. Intergovernmental Agreements

Fire Protection Sub-District No. 1 of West Baton Rouge -

The Town entered into a local services agreement with the Sub - District in January 1992 to provide fire protection within the Town of Addis. Under the terms of the agreement, the Town has agreed to do the following:

- Lease 2 fire trucks belonging to the Town and for the use of the Addis Volunteer Fire Department to the Sub - District, provided that the Sub - District shall bear the cost of insurance coverage on all vehicles, equipment and supplies, said coverage to be approved by the Town with certificates of such insurance to be presented.
- Permit the Sub - District to use the Town's existing fire stations and Old Town Hall during the term of the agreement, provided that the Sub - District shall provide insurance coverage thereon at least equal to the amount which the Town has in force on the date of the agreement and further provided that the Town is listed as an additional insured on the policy. However, insurance costs as to Station #2 shall be fifty (50%) percent to Town and Fifty (50%) percent to Sub District

At December 31, 2012, the Town owed the Fire Sub - District \$1,126 which is reported as "Due to Other Governments".

West Baton Rouge Parish Water Works District No. 1 -

A service agreement is in effective the District and the Town to continue an on-going activity in which the District invoices and collects sewer fees from water customers living within the Town. The sewer rates are based on water usage, and customers may have their water service discontinued for non-payment of sewer fees. The amount due from the District for customer sewer fees billed through December 31, 2012 was \$17,268.

West Baton Rouge Water Works District No. 2 -

A service agreement was renewed effective through December 31, 2009, between the District and the Town in which the District shall prepare sewer bills and collect sewer charges for the Town on a monthly basis for those properties being provided said service by the Town which are on the District's water system. The Town shall pay the District \$.33 per bill with the fee to be included on the District's water bill. The fee is shall be deducted from monies collected by the District for the Town.

Both Water Districts are now operated by West Baton Rouge Council.

13. Sewer User Fees

Charges for sewer use are as follows:

\$14.00 plus \$1.50 per 1,000 gallons after 4,000 for residential and
\$24.00 plus \$1.50 per 1,000 gallons after 4,000 for non-residential

14. Economic Dependence

The Town of Addis received 67% of its total revenue from parish sales tax.

Town of Addis, Louisiana
Notes to the Financial Statements
As of and for the year ended December 31, 2012

15. Fund Balance

Fund balance is classified as nonspendable, restricted, committed, assigned and /or unassigned based primarily on the extent to which the Village is bound to observe constraints imposed upon the use of the resourced in the governmental funds (See Note 1- L). The constraints placed on fund balance for the major governmental funds are presented as follows:

Unassigned	\$	1,318,259	\$	1,318,259
Total Fund balances	\$	1,318,259	\$	1,318,259

16. Compensation Paid to the Government Officials

	Salary
Mayor	
Carroll P. Bourgeois	\$ 67,287
Council Members -	
Wilson E. Cazes	9,607
D. H. Toups	6,750
J. G. Landry	6,750
Lance S. Gauthreaux	9,607
Russell L. Parish	6,750
Total	\$ 106,751

17. Risk Management

The Town of Addis is exposed to various risks of loss for which the Town carries commercial insurance. There have been no reductions in insurance coverage during the last year. Settled claims have not exceeded coverage in the last three years.

18. Contingencies and Commitments

Litigation - In the opinion of the Town's management, after consultation with legal counsel, the potential loss for any claims and lawsuits will not materially effect the Town's financial position.

19. Subsequent Events

Subsequent events were evaluated through July 9, 2012 which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedules

Town of Addis, Louisiana
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2012 with summarized comparative totals for 2011

	<u>Budgeted Amounts</u>		Actual	Variance with	
	Original	Final	Amounts	Final Budget	2011
			(Budgetary Basis)	Over (Under)	
REVENUES					
Taxes and license -					
Occupational license	\$ 100,000	\$ 100,000	\$ 92,868	\$ (7,132)	\$ 110,831
Building permits	35,000	35,000	40,125	5,125	40,375
Trailer moving permits	200	200	150	(50)	155
Bartender permits	200	200	89	(111)	12
Franchise fees -					
Entergy	220,000	220,000	132,244	(87,756)	160,311
Cable television	16,000	16,000	49,093	33,093	47,548
Telephone	300	300	2,056	1,756	404
Intergovernmental -					
Sales tax - Parish	750,000	750,000	909,513	159,513	741,641
Sales tax - District	750,000	750,000	909,513	159,513	944,620
State of Louisiana Beer tax	2,000	2,000	2,744	744	3,559
State of Louisiana Video Poker tax	15,000	15,000	10,282	(4,718)	7,926
Capital District Law Enforcement Grant	500	500	-	(500)	-
Stimulus Grant (ARRA) - Police	-	-	-	-	51,435
Emergency Task Force Grant	1,000	1,000	1,800	800	1,017
LLEBG Equipment grant	500	500	-	(500)	-
Rural development grant	35,000	35,000	-	(35,000)	-
LGAP grant	-	-	-	-	25,000
State of Louisiana Visitor Enterprise Fund	-	-	25,000	25,000	-
Charges for services -					
Highway maintenance	7,400	7,400	6,860	(540)	6,860
Rental - Civic Center	4,500	4,500	3,990	(510)	2,348
Planning and zoning	500	500	-	(500)	500
Grass mowing - Town	100	100	-	(100)	-
Fines and forfeitures	90,000	90,000	102,072	12,072	85,962
Investment income	1,500	1,500	5,810	4,310	13,554
Sale of fixed assets	1,000	1,000	-	(1,000)	810
Miscellaneous	1,500	1,500	3,884	2,384	961
Amounts Available for Appropriation	2,032,200	2,032,200	2,298,093	265,893	2,245,828
EXPENDITURES					
Current expenditures -					
General administration	625,400	625,400	670,656	(45,256)	589,859
Public safety - Police	806,450	806,450	930,872	(124,422)	858,336
Public works - Streets & sanitation	609,400	609,400	322,068	287,332	303,620
Public works - Drainage	46,100	46,100	20,174	25,926	19,470
Capital outlay					
General administration	112,000	112,000	96,332	15,668	318,648
Public safety - Police	10,000	10,000	26,824	(16,824)	25,401
Public works - Streets & sanitation	-	-	29,605	(29,605)	32,890
Public works - Drainage	5,000	5,000	-	5,000	-
Debt service	10,000	10,000	10,000	-	10,000
Total expenditures	2,224,350	2,224,350	2,106,532	117,819	2,159,225
Excess (Deficiency) of Revenues over Expenditures	(192,150)	(192,150)	191,561	383,711	86,604

Town of Addis, Louisiana
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended December 31, 2012 with summarized comparative totals for 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>	
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Over (Under)</u>	<u>2011</u>
Transfers In/(Out)					
Enterprise Fund - Sewer System	-	-	-	-	-
Total Transfers In/(Out)	-	-	-	-	-
Net Change in Fund Balance	(192,150)	(192,150)	191,561	383,711	85,604
Beginning Fund Balance	1,126,697	1,126,697	1,126,697	(0)	1,040,093
Ending Fund Balance	\$ 934,547	\$ 934,547	\$ 1,318,259	\$ 383,711	\$ 1,125,697

Notes:

The Original and Final Budget's are prepared using the Modified Accrual Basis of Accounting

The budget was not amended

The Original and Final Budget's adopted by the Town of Addis with excess expenditures over appropriations represent use of fund balance for the purpose of capital outlay projects

INFORMATION REQUIRED BY GOVERNMENT AUDITING STANDARDS

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor and
Members of the Town Council
Town of Addis, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities and each major fund of the Town of Addis, Louisiana (the "Town"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated July 9, 2013.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employee, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

W. Kathleen Beard

Certified Public Accountant
July 9, 2013

Town of Addis. Louisiana
Schedule of Findings and Responses
As of and for the year ended December 31, 2012

Summary of Audit Results

Financial Statements

Type of auditor's report issued: Unqualified

Report on Internal Control and Compliance Material to the Financial Statements

- Material Weaknesses ☐ Yes ☒ No Significant deficiencies ☐ Yes ☒ No
- Noncompliance Material to the Financial Statements ☐ Yes ☒ No

Federal Awards

N/A – Federal awards below \$500,000 threshold required by OMB Circular A- 133

Management Letter

No management letter issued.

**Town of Addis, Louisiana
Schedule of Prior Year Findings
December 31, 2012**

No prior year findings